

Kosmas Helps Pass Fiscally Responsible Student Loans Bill

Legislation will Reduce Deficit and Eliminate Waste while Improving Education

September 17, 2009

(Washington, DC) — Today, Congresswoman Suzanne Kosmas (FL-24) voted in favor of the Student Aid and Fiscal Responsibility Act (H.R. 3221), fiscally responsible legislation that will save taxpayers' money by eliminating subsidies, expand access to affordable student loans, transform early education opportunities, and build a world-class community college system.

This legislation, which passed the House by a vote of 253-171, will help build a stronger, more competitive American economy for the future -- and at no cost to taxpayers. The Student Aid and Fiscal Responsibility Act will reform the system of federal student loans to save the taxpayers \$87 billion in waste and will direct \$10 billion back to the Treasury to reduce entitlement spending.

"A 21st Century education is critical to succeed in today's economy, and this fiscally responsible bill saves taxpayers' money while helping Central Florida's young people attend college or get career training in order to ensure that America's work force remains the best in the world," said Congresswoman Kosmas. "This common-sense solution will reduce the deficit, eliminate waste and dramatically expand access to essential educational opportunities."

The legislation will change the way the student loan system functions by originating new loans through the government's Direct Loan program, but will maintain competition among private lenders and non-profits to provide top-notch customer service for student borrowers. This bill will also significantly increase government grant and loan assistance for college tuition payment and keep interest rates low on government-subsidized loans.

More information on the Student Aid and Fiscal Responsibility Act:

Meet Pay-As-You-Go fiscally responsible principles and reduce entitlement spending:

- Saves taxpayers \$87 billion over ten years by switching to the cheaper Direct Loan program, according to the Congressional Budget Office. In addition to investing in college aid, this legislation will also reduce entitlement spending by \$10 billion.

Invest the bill's savings in making college affordable and helping more Americans graduate:

- Invests \$40 billion to increase the maximum annual Pell Grant scholarship to \$5,550 in 2010 and to \$6,900 by 2019. Starting in 2011, the scholarship will be linked to match rising costs-of-living by indexing it to the Consumer Price Index plus 1 percent.
- Invests \$3 billion to bolster college access and completion support programs for students. It will increase funding for the College Access Challenge Grant program, and will also fund innovative programs at states and institutions that focus on increasing financial literacy and helping retain and graduate students.
- Strengthens the Perkins Loan program, a campus-based program that provides low-cost federal loans to students, by providing the program with more reliable forms of credit from the federal government and expanding the program to include significantly more college campuses.
- Keeps interest rates low on need-based & or subsidized & federal student loans by making the interest rates on these loans variable beginning in 2012. These interest rates are currently set to jump from 3.4 percent to 6.8 percent in 2012.
- Makes it easier for families to apply for financial aid by simplifying the FAFSA form. Building on proposals recently put forth by the Obama administration, the legislation will dramatically cut down the number of questions on the form by allowing students and families to apply for aid using the information on their tax returns.
- Invests \$2.55 billion in Historically Black Colleges and Universities and Minority-Serving Institutions to provide students with the support they need to stay in school and graduate.

Provide reliable, affordable, high-quality Federal student loans for all families:

- Converts all new federal student lending to the stable, effective and cost-efficient Direct Loan program. Beginning July 1, 2010, all new federal student loans will be originated through the Direct Loan program, instead of through lenders subsidized by taxpayers in the federally-guaranteed student loan program. Unlike the lender-based program, the Direct Loan program is entirely insulated from market swings and can therefore guarantee students access to low-cost federal college loans, in any economy.
- Provides all federal student loan borrowers with upgraded, modern, state-of-the-art customer service. Rather than force private industry out of the system, the bill will forge a new public-private partnership that provides all borrowers with the highest-quality customer service when repaying their loans and maintains jobs. It will establish a competitive bidding process that allows the U.S. Department of Education to select lenders based on how well they serve borrowers, educate them financially, and prevent loan defaults. It will provide a role for non-profits to continue servicing student loans.

Prepare students and workers for 21st century jobs by providing all Americans with the skills and resources they need to compete:

- Build a 21st century workforce by encouraging historic partnerships between community colleges, states, businesses, job training and adult education programs. The bill will create a new competitive grant program for community colleges to improve instruction, work with local employers, improve their student support services, and implement other innovative reforms that will lead to a college degree, certificate or industry recognized credential to help fulfill local workforce needs.

- Expands access to education by supporting free, high-quality, online training, high school and college courses. The U.S. Department of Education would be authorized to make competitive grants available to eligible colleges, workforce programs or other entities to help support the development of these courses.

- Ensures that community college students can learn in modern, updated, state-of-the-art facilities by renovating campuses in need of repair.

Ensures that the next generation of students enters kindergarten with the skills they need to succeed in school:

- Increases the number of low income children entering kindergarten prepared to succeed by reforming state standards and practices for birth-to-five early learning programs. The legislation would create an Early Learning Challenge Fund, which would award competitive grants to states that implement comprehensive standards-based reform of the state's early learning system that will transform early education standards and practices, build an effective early childhood workforce, and improve the school readiness outcomes of young children.

Provide schools with access to funding for green, energy efficient modernization, renovation, and repair projects:

- Ensures every child has access to a world-class learning environment by providing school districts with funds for school modernization, renovation, and repair projects that will create healthier, safer, and more energy-efficient teaching and learning climates.

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